



Proven Expertise & Integrity

September 6, 2024

Selectboard
Town of Fair Haven
5 North Park Place
Fair Haven, Vermont 05743

MANAGEMENT LETTER

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Fair Haven, Vermont as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Fair Haven's internal control. We did so to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for expressing our opinion on the effectiveness of the Town of Fair Haven's internal control over financial reporting or compliance.

During our audit we became aware of several matters referred to as "management letter comments" that offer opportunities for strengthening internal control and improving operating efficiencies of the Town of Fair Haven. The following pages summarize our comments and suggestions on those matters.

This report is intended solely for the information and use of the Select Board, management, and others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

These matters do not modify our opinion on the financial statements for the year ended June 30, 2023, where we expressed an unmodified opinion on our independent auditors' report dated September 6, 2024.

Bank Reconciliations (Repeat Comment)

While performing the audit for the above-mentioned fiscal year, we noted the bank reconciliations were not completed in a timely manner. We recommend that all bank reconciliations be completed and reviewed within 30 days of the bank statement date to help ensure accuracy and completeness of transactions in the correct reporting period and to help avoid material misstatements in the financial statements.

While performing the audit for the above-mentioned fiscal year, we noted that the Town has outstanding checks remaining on bank reconciliations that were older than 6 months from the date of issuance. We recommend that management establish procedures that address all outstanding checks that are older than 6 months from the date of issuance to help ensure accuracy and completeness of transactions in the correct reporting period and to help avoid material misstatements in the financial statements. (Some examples of ways to address these checks are voiding and reissuing a new check to the payee, contacting the payee directly, submitting the payment information through the State's Unclaimed Property Program for payees who cannot be contacted or who do not respond.)

While performing the audit for the above-mentioned fiscal year, we noted that the amount on the bank reconciliation did not tie to the bank balance in the general ledger. We recommend that bank statements are reconciled to the general ledger to help ensure that all cash transactions are reconciled, to help ensure accuracy and completeness of transactions in the correct reporting period and to help avoid material misstatements in the financial statements.

Purchasing (Repeat Comment)

While performing the audit for the above-mentioned fiscal year, we noted instances where the Town did not utilize and process purchase orders in accordance with its own procedures. We recommend that the Town utilize and process purchase orders to help ensure that all expenditure transactions are properly recorded in its financial accounting software in compliance with generally accepted accounting principles (GAAP), to help ensure accuracy and completeness of transactions in the correct reporting period and to help avoid material misstatements in the financial statements.

While performing the audit for the above-mentioned fiscal year, we noted that some disbursement documentation detailed late payments for failure to comply with the terms of the vendor regarding payment dates. We recommend that management review and revise its procedures to ensure that all disbursements are processed within the agreed upon vendor terms, in order to avoid the risk of unbudgeted late fees

Journal Entries

While performing the audit for the above-mentioned fiscal year, we noted that journal entries are not reviewed and signed off on by an employee other than the preparer. We recommend that all journal entries be reviewed, dated and signed off on by another employee with knowledge of the fiscal operations to provide complete oversight.

Debt Activity in Water/Sewer Funds (Repeat Comment)

While performing the audit for the above-mentioned fiscal year, we noted the Town did not properly reclassify the debt payments in the water/sewer funds in accordance with generally accepted accounting principles. We recommend that management review their procedures and adjust as necessary to ensure that debt activity for Enterprise Funds are recorded properly to help ensure compliance with federal/state statutes and regulations and to help reduce the risk of material misstatement in the financial statements.

General Ledger Reconciliations:

All general ledger accounts should be reconciled on a monthly basis and when necessary to subsidiary ledgers. At the time of fieldwork various general ledger accounts including cash, taxes, utility billings, payroll tax liabilities and other various accounts did not reconcile. Reconciling cash is crucial to the fiscal affairs of the Town and crucial in allowing the Town to make good business decisions based on accurate financial information. The Town should reconcile within 21 days from month end all general ledger accounts. We recommend all postings and updates be reviewed by the Town's Treasurer before posting.

Cash Receipts Posting to General Ledger:

While performing our test work for the above-mentioned year end, we noticed the Town posts several days of cash receipting activity combined as opposed to daily to its financial accounting software. This process made it very difficult to verify daily cash receipts. While we believe this is merely an accounting procedural change, we recommend that the Town post all cash receipts daily. This will allow better internal information to be generated for accuracy and comparative purposes.

We would like to thank Joe and all of the staff at the Town of Fair Haven, Vermont for their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,

A handwritten signature in black ink that reads "RHR Smith & Company". The signature is written in a cursive, flowing style.

RHR Smith & Company, CPAs